

REQUEST FOR APPROVAL

To: Mark Leary
Deputy Director

From: Howard Levenson
Assistant Director

Request Date: March 10, 2010

Decision Subject: Approval of a Recycling Market Development Zone Loan for LEED Recycling, Inc.
(Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2009/10)

Action By: March 18, 2010

Summary of Request:

This memo requests approval of a Recycling Market Development Zone (RMDZ) loan to LEED Recycling, Inc., which is located in the North San Diego County RMDZ. This loan project meets the required eligibility criteria established in September 2008 to receive loan funding. The loan application was approved by the Loan Committee on March 4, 2010. If approved by the Deputy Director, this loan will be funded from the Recycling Market Revolving Loan Subaccount, Fiscal Year 2009/10.

Recommendation:

Staff recommends approval of this RMDZ loan, subject to the conditions and directions specified below in "Deputy Director Action." This project is expected to further increase both local and regional diversion efforts, as well as increase employment and local revenues.

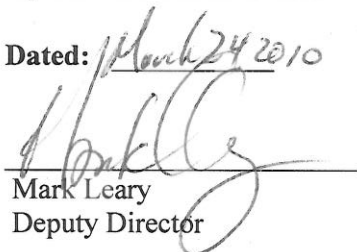
Deputy Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve a Recycling Market Development Zone loan totaling four hundred forty eight thousand, five hundred thirty dollars (\$448,530):

LEED Recycling, Inc.\$ 448,530

I further direct staff to prepare and execute the loan agreement and to conduct all other acts necessary to fund this loan. The funding of the loan is subject to all terms and conditions contained in the loan agreement to be prepared by loan program staff in accordance with applicable regulations, and on such other terms and conditions as the Department of Resources Recycling and Recovery (CalRecycle) or its duly authorized staff representative in its or their sole discretion deems necessary or advisable.

Dated:

March 24 2010

Mark Leary
Deputy Director

Background Information, Analysis, and Findings

(1) General Background

The purpose of the Recycling Market Development Zone Loan Program (Loan Program) is to provide low-interest loans to private businesses and not-for-profit organizations to increase diversion of non-hazardous solid waste from California landfills and to promote market demand for secondary and postconsumer materials. Funding levels for the Loan Program are authorized by Statute in Public Resources Code, Section 42023.1.

In accordance with established procedures, all loan applications are reviewed and evaluated to ensure that the project meets current eligibility criteria and has obtained or is in the process of obtaining required permits as determined by other pertinent CalRecycle programs. The Loan Committee then considers the fiscal soundness of the proposed loan and approves or declines the loan request. Upon conclusion of this process and Loan Committee approval, a commitment to approve and fund a loan is made by CalRecycle senior management staff.

- **Project Eligibility Criteria** for the RMDZ Loan Program were approved by the California Integrated Waste Management Board in September 2008. Staff has reviewed the application and found that it is consistent with the established criteria. The project proposed by LEED Recycling, Inc. qualifies as a *recycling project* that produces a recycled-content raw material/feedstock for use by other manufacturers who can further reprocess the raw material into other finished products.
- **Interdivisional Reviews** were performed by the following divisions:
 - The Budgets Office confirmed that there are sufficient monies allocated for the current fiscal year to fully fund the loan.
 - Legal counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the loan project prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to this loan.
 - Waste Compliance and Mitigation Program staff reviewed the projects and determined that company possesses the appropriate permits to run their operation.
 - Local Assistance and Market Development Division staff reviewed the project and based on the information provided in the jurisdictions' Source Reduction and Recycling Element, the asphalt roof material/shingles that will be used as feedstock for this project are normally disposed of in California landfills.
 - Statewide Technical and Analytical Resources Division staff reviewed the project and determined that the material is generally landfilled and recycling options are rarely used. A small percentage of roofing shingle tear-offs are currently recovered/recycled, so there is potential to expand the use of this recyclable material. Since asphalt roofing shingles consist of virtually the same materials used to manufacture asphalt road surfaces, waste shingles is an ideal additive for road construction projects.
- The **Loan Committee** will consider the loan application on March 4, 2010. The review will include an evaluation of the overall loan structure, the ability of the business to repay, and the collateral proposed to secure the loan. The Loan Committee decision will be publicly announced at the Materials Management and Local Assistance Program Public Workshop scheduled for March 10, 2010.

(2) Loan Description

LEED Recycling was incorporated in the state of California in December 2008. It is primarily owned by its co-founders, Edward Clare III and Lee S. Buby. Mr. Clare is President and CEO of the company. He

has extensive experience in the roofing shingle industry and will oversee the general management of the company. Mr. Buby is the Chief Financial Officer, with primary responsibilities for market development and customer negotiations. They have hired experienced personnel to manage the facility's recycling yard and processing activities.

The loan request of \$448,530 is for the purchase of a high capacity mobile grinder that will be used to process post-consumer, tear-off asphalt roofing material/shingles; a truck scale and other needed equipment accessories for business operations. LEED Recycling plans to recycle post-consumer roofing shingles; then shred and grind them primarily to produce an asphalt additive material. This material will be sold to companies and contractors for use in hot mix asphalt road applications and road resurfacing projects. The material can also be used by local farmers as a dust control application. The loan rate will be fixed at four percent (4%).

Based on communications with LEED Recycling owners, the following diversion and job increases would occur as a result of this loan:

Diversion Volumes	Current	Projected Increase	Total
Tons per Year	4,800	15,200	20,000
Jobs Created	1	2-3	3-4

(3) Summary

This project will assist in the implementation of CalRecycle's 2007 Strategic Directive #6 by providing an RMDZ loan to a company that uses a priority material (construction & demolition debris).

This loan will also result in residual benefits to stakeholders and the State:

- The Zone Administrator for the North San Diego County RMDZ supports this project as it has the potential to increase local landfill diversion and create more jobs in the region.
- As this loan project contributes to the diversion of waste from the local waste stream, it will be assisting the local jurisdictions' compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.
- This project will facilitate the construction of greener roadways in California
 - According to the Construction Materials Recycling Association (CMRA), an estimated 11 million tons of asphalt roofing shingles are generated annually in the U.S. Compared with other construction and demolition materials such as metal, concrete and asphalt pavement, only a small percentage of asphalt shingle tear-offs are currently recovered, leaving a significant opportunity to use recycled asphalt shingles. (Source: Professional Roofing Magazine <http://www.professionalroofing.net>).
 - Asphalt roofing shingles consist of virtually the same materials used to manufacture asphalt road surfaces. And, in the concentration of one particular component, asphalt binder, roofing shingles far exceed the ratios used for roadways. This high concentration of asphalt binder, which is the most expensive component of asphalt pavement, makes waste shingles an ideal source for this vital ingredient.

